

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03

NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07

TRSE-00 ACDA-12 DOEE-00 NSCE-00 SSO-00 ICAE-00

INRE-00 /112 W

-----000111 211858Z /50

O 211544Z APR 78

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 7160

C O N F I D E N T I A L OTTAWA 02079

DEPARTMENT PASS DOE FOR LES GOLDMAN AND DOE/FERC FOR  
COMMISSIONER SMITH AND JOHN ADGER

E.O. 11652: GDS

TAGS: ENRG, CA

SUBJECT: CAPITAL COST OF NORTHERN GAS PIPELINE

REFS: A. STATE 74587, B. OTTAWA 1402

1. AS DEPARTMENT AND DOE AWARE, GOC HAS CONCURRED IN EXCHANGE OF NOTES TO AMEND FILED CAPITAL COST SCHEDULES IN ANNEX III OF PIPELINE AGREEMENT AS OUTLINED REF B AND CONFIRMED REF A. HOWEVER, PROPOSED SIDE LETTER GIVEN REF B, AND SEVERAL VARIATIONS THEREOF, HAVE BEEN REJECTED BY OFFICE OF NORTHERN PIPELINE COMMISSIONER AFTER CONSULTING WITH DEPUTY PRIMIN MACEACHEN. MOST RECENT ATTEMPT BY EMBASSY APRIL 20 TO DEVELOP ACCEPTABLE FORMULATION (AS OUTLINED IN PLACKE TELECONS WITH FERC COMMISSIONER SMITH AND EB/ORF LAWRENCE RAICHT) ALSO FAILED WHEN REJECTED BY MACEACHEN.

2. GOC POSITION IS THAT:

--TEXTS FOR EXCHANGE OF NOTES AS IN REF B REMAIN ACCEPTABLE;  
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--ANY U.S. LETTER OR PUBLIC STATEMENTS EXPRESSLY IDENTIFY-  
ING DOLS 36 MILLION AS MONITORING CHARGES (AS IN DRAFT  
SIDE LETTER IN REF B), WOULD, IF QUESTIONS RAISED BY  
OPPOSITION IN CANADIAN PARLIAMENT, CAUSE GOC TO STATE ITS  
VIEW THAT THERE ARE NOW NO OFFICIAL ESTIMATES OF MONITORING  
CHARGES AND GOC DOES NOT CONCUR IN U.S. VIEW THAT DOLS 36

MILLION REPRESENTS MONITORING CHARGES INCLUDED IN REVISED  
FILED CAPITAL COST. GOC OFFICIALS EXPLAIN THAT MONITORING  
CHARGE IS POLITICALLY SENSITIVE ISSUE BECAUSE OF RECORD  
GOC MADE IN PARLIAMENT IN DEFEATING OPPOSITION EFFORTS TO  
SET LIMIT FOR SUCH CHARGES AND BECAUSE OF VISABILITY OF  
ISSUE DUE TO NEWLY ENACTED PIPELINE LEGISLATION IMPOSING  
ALL MONITORING CHARGES (WITHOUT LIMIT) ON PIPELINE  
COMPANIES. (FYI. PRESS IS BEGINNING TO GIVE ATTENTION  
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TO CONTINUING LACK OF AGREEMENT ON CAPITAL COST FOR 56  
INCH PIPE. END FYI);

--GOC RECOGNIZES THAT DRAFT NOTE AMENDING CAPITAL COST  
ESTIMATE ACCORDS U.S. SUBSTANCE OF ITS POSITION BY  
INCORPORATING MONITORING CHARGES INTO FILECCAPITAL  
COST, BUT DOES SO IN WAY WHICH AVOIDS ANY SPECIFIC FIGURE;

--GOC ALSO ACKNOWLEDGES THAT SECTION 11 A) OF PIPELINE  
AGREEMENT CONFERS RIGHT ON EITHER PARTY TO REQUIRE CONSUL-  
TATION ABOUT AMOUNT OF, AND BASIS FOR, MONITORING AND OTHER  
PUBLIC CHARGES;

--GOC WOULD NOT OBJECT TO BUILDING UP, OVER TIME THROUGH  
CONSULTATIVE PROCESS, RECORD OF U.S. POSITION BUT IT IS  
UNWILLING TO ACCEPT THAT POSITION PUBLICLY AT THIS TIME.  
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3. EMBASSY CONCLUDES THAT FURTHER EFFORTS TO DEVELOP  
LANGUAGE IDENTIFYING DOLS 36 MILLION WITH MONITORING  
CHARGES WILL BE UNPRODUCTIVE AND REQUESTS FURTHER  
INSTRUCTIONS. ENDERS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COSTS, PETROLEUM PIPELINES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978OTTAWA02079  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780171-0560  
**Format:** TEL  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1978/newtext/t19780431/aaaaazqx.tel  
**Line Count:** 99  
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**Litigation History:**  
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**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 STATE 74587, 78 OTTAWA 1402  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 08 jul 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2892077  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CAPITAL COST OF NORTHERN GAS PIPELINE  
**TAGS:** ENRG, CA  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odhc://SAS/SAS.dbo.SAS\_Docs/a713efa9-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014